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110ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL	
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REPORT FOR THE PERIOD BEGINNING 1/1/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Regional Brokers, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

8 Penn Center, 1628 John F. Kennedy Blvd., Suite 1901

(No. and Street)

PhiladelphiaPA19103

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Anthony Boccella215-979-8960

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Elko & Associates Ltd.

(Name - if individual, state last, first, middle name)

2901 Jolly Rd.Plymouth MeetingPA19462

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 11 2008

THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Anthony Boccella, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Regional Brokers, as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

DT

Signature

CFO

Title

[Signature]
Notary Public

COMMONWEALTH OF PENNSYLVANIA

NOTARIAL SEAL

KIM D. MAYNORD, Notary Public
City of Philadelphia, Phila. County

My Commission Expires December 2, 2008

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of ~~Changes in Financial Condition~~ cash flows
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the ~~Computation of Net Capital Under Rule 15c3-3 and the~~
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

☒ (o) Independent Auditor's report on internal control

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

REGIONAL BROKERS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006



& Associates Ltd

REGIONAL BROKERS, INC.

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& Associates Ltd

Edward Doran, CPA
Albert L. Elko, CPA
Joseph J. Glowacki (Retired)
Robert G. Morlock, CPA
John J. Nihill, CPA
M. Deborah Pitt, E.A.
Veronica M. Plousis, CPA

Michael Pozielli, CPA
Michael J. Reinking, CPA
Leonard V. Santivasi, CPA
Marc R. Simmons, CPA
Gregory D. Stratoti, CPA, MST
Richard J. Thomas, CPA, CVA, CFFA

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional Brokers, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying statements of financial condition of Regional Brokers, Inc. as of December 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regional Brokers, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information accompanying the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements, but Schedule I is required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elko & Associates Ltd

February 25, 2008

REGIONAL BROKERS, INC.
STATEMENTS OF FINANCIAL CONDITION

	DECEMBER 31,	
	2007	2006
ASSETS		
Cash	\$ 422,329	\$ 478,416
Marketable securities	12,373	7,698
Commissions receivable - clearing broker	90,072	87,513
Prepaid expenses	28,538	31,615
Furniture and equipment - net of accumulated depreciation of \$99,596 and \$89,344	15,851	20,075
Other assets	126	126
TOTAL ASSETS	\$ 569,289	\$ 625,443
LIABILITIES		
Current portion of long-term debt	\$ 40,000	\$ 83,764
Accounts payable and accrued expenses	96,361	41,967
Long-term debt net of current portion	87,528	138,012
Total Liabilities	223,889	263,743
STOCKHOLDERS' EQUITY		
Common stock - no par value; stated value \$500 per share, 10,000 shares authorized, 1,015 shares issued and 521 shares outstanding	507,500	507,500
Additional paid-in capital	10,031	10,031
Retained earnings	308,466	324,766
Less: Treasury stock - 494 shares, at cost	480,597	480,597
Total Stockholders' Equity	345,400	361,700
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 569,289	\$ 625,443

The accompanying Notes are an integral part of these statements.

REGIONAL BROKERS, INC.
STATEMENTS OF INCOME

	FOR THE YEARS ENDED DECEMBER 31,	
	2007	2006
COMMISSION INCOME	\$ 2,594,608	\$ 2,763,946
OPERATING EXPENSES		
Clearance fees	165,776	177,406
Depreciation	10,252	10,789
Employee benefits	141,244	157,703
Insurance	1,108	1,119
Payroll taxes	84,124	92,379
Regulatory fees	128,614	25,536
Salaries	1,310,485	1,406,399
Telephone	45,183	53,395
Trading software expense	53,800	63,870
Total Operating Expenses	1,940,586	1,988,596
GENERAL AND ADMINISTRATIVE EXPENSES	527,420	583,091
INCOME FROM OPERATIONS	126,602	192,259
OTHER INCOME (EXPENSE)		
Interest expense	(11,375)	(5,058)
Interest income	11,148	9,066
Unrealized gain (loss) on investments	4,675	(996)
Realized loss on warrants	-	(5,025)
Miscellaneous income	35,000	-
Total Other Income (Expense)	39,448	(2,013)
NET INCOME	\$ 166,050	\$ 190,246

The accompanying Notes are an integral part of these statements.

REGIONAL BROKERS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL
BALANCE - JANUARY 1, 2006	\$ 507,500	\$ 10,031	\$ 134,520	\$ (233,247)	\$ 418,804
PURCHASE OF 291 SHARES OF COMMON STOCK	-	-	-	(247,350)	(247,350)
NET INCOME	-	-	190,246	-	190,246
BALANCE - DECEMBER 31, 2006	507,500	10,031	324,766	(480,597)	361,700
NET INCOME	-	-	166,050	-	166,050
DISTRIBUTIONS	-	-	(182,350)	-	(182,350)
BALANCE - DECEMBER 31, 2007	<u>\$ 507,500</u>	<u>\$ 10,031</u>	<u>\$ 308,466</u>	<u>\$ (480,597)</u>	<u>\$ 345,400</u>

The accompanying Notes are an integral part of these statements.

REGIONAL BROKERS, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 166,050	\$ 190,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,252	10,789
Realized loss on warrants	-	5,025
Unrealized (gain) loss on marketable securities	(4,675)	996
(Increase) decrease in assets		
Commissions receivable - clearing broker	(2,559)	2,168
Prepaid expenses	3,077	733
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	54,394	(1,824)
Net Cash Provided by Operating Activities	<u>226,539</u>	<u>208,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	-	(4,794)
Purchase of furniture and equipment	(6,028)	(6,603)
Net Cash Used in Investing Activities	<u>(6,028)</u>	<u>(11,397)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(94,248)	(108,496)
Purchase of treasury stock	-	(24,597)
Distributions to stockholders	(182,350)	-
Net Cash Used in Financing Activities	<u>(276,598)</u>	<u>(133,093)</u>
NET INCREASE (DECREASE) IN CASH	(56,087)	63,643
CASH - BEGINNING OF YEAR	<u>478,416</u>	<u>414,773</u>
CASH - END OF YEAR	<u>\$ 422,329</u>	<u>\$ 478,416</u>

The accompanying Notes are an integral part of these statements.

REGIONAL BROKERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A - Summary of Significant Accounting Policies

Business Activity - Regional Brokers, Inc. (the "Company"), incorporated under the laws of the Commonwealth of Pennsylvania on May 18, 1992, is registered with the Securities and Exchange Commission as a Municipal Securities Broker/Dealer as defined in Rule 15c3-1(k)(2)(ii) under the Securities Exchange Act of 1934. A municipal securities broker/dealer acts as an undisclosed agent in the purchase or sale of municipal securities for a registered broker or dealer or registered municipal securities dealer, has no "customers" as defined in SEC Reg. §240.15c3-1 and may effect transactions on their own behalf. The Company's customers are located mostly in the Northeast Region of the United States.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash - Cash consists of funds held in checking and money market accounts at two banks.

Accounts Receivable - The Company charges income for doubtful accounts when they are considered uncollectible. Management considers the receivables to be fully collectible at the balance sheet dates, and no provision for uncollectible accounts has been made.

Furniture and Equipment - Furniture and equipment are stated at cost. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation is provided over the estimated useful lives of the assets on an accelerated method. The estimated useful lives of the various classes of assets are:

	<u>Range in Years</u>
Office equipment	5
Furniture and fixtures	5 - 7
Computer equipment	3 - 5

Commissions - Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Advertising Costs - The Company expenses advertising costs as incurred.

Income Taxes - The Company has elected to be an S corporation for federal and state income tax purposes. Profits or losses pass through to the stockholders to be included in their individual income tax returns. Therefore, no provision or liability for federal and state income taxes is required.

Reclassifications - Certain amounts previously reported in the financial statements for the prior year have been reclassified to conform with the current year classifications.

REGIONAL BROKERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE B - Marketable Securities

A summary of aggregate fair value and other information by security type at the balance sheet date is as follows:

	<u>Cost</u>	<u>Net Unrealized Gain (Loss)</u>	<u>Fair Value</u>
December 31, 2007			
Common Stock	\$3,251	\$9,122	\$12,373
December 31, 2006			
Common Stock	3,251	4,447	7,698

NOTE C - Furniture and Equipment

	<u>2007</u>	<u>2006</u>
Office equipment	\$ 15,939	\$ 15,382
Furniture and fixtures	36,186	34,920
Computer equipment	63,322	59,117
Total	115,447	109,419
Accumulated depreciation	99,596	89,344
Total Furniture and Equipment	<u>\$ 15,851</u>	<u>\$ 20,075</u>

NOTE D - Line of Credit

The Company has a \$200,000 line of credit agreement with a bank. The credit agreement may be renewed annually at the bank's discretion and is collateralized by the assets of the Company. Interest on borrowings is at a fluctuating rate per annum equal to the bank's prime rate plus 0.5% (7% and 8.75% at December 31, 2007 and 2006, respectively).

There were no borrowings under the line of credit agreement at December 31, 2007 and 2006.

The line of credit includes various financial covenants, as defined, that are required to be maintained throughout the term of the agreement. The Company did not meet all of the financial covenants at December 31, 2007.

REGIONAL BROKERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE E - Long-Term Debt

	<u>2007</u>	<u>2006</u>
Note payable to a former stockholder, payable in three annual installments of \$54,248, plus interest of 4.82% on the outstanding balance.	\$ -	\$ 54,248
Note payable to a former stockholder bearing interest of 5.38%, payable in minimum annual installments of \$40,000 and one final payment of \$7,527 plus interest on the outstanding balance through November 2011.	<u>127,527</u>	<u>167,528</u>
	127,527	221,776
Less Current Portion	<u>40,000</u>	<u>83,764</u>
Total Long-Term Debt	<u>\$ 87,527</u>	<u>\$ 138,012</u>

The following are maturities of long-term debt:

2008	\$ 40,000
2009	40,000
2010	40,000
2011	<u>7,527</u>
Total	<u>\$ 127,527</u>

NOTE F - Operating Lease Commitments

The Company is obligated under a noncancelable lease for office space, which expires in October 2012. Rent expense for the years ended December 31, 2007 and 2006 was \$74,938 and \$77,839, respectively.

Minimum annual rental commitments under noncancelable leases with initial or remaining terms of one year or more are as follows:

2008	\$ 40,941
2009	41,994
2010	43,040
2011	44,085
2012	<u>37,464</u>
Total	<u>\$ 207,524</u>

REGIONAL BROKERS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE G - Supplemental Disclosure of Cash Flow Information

	<u>2007</u>	<u>2006</u>
Noncash Investing and Financing Activities:		
Common stock purchased with issuance of long-term debt	\$ -	\$ 167,528
Note receivable collected with purchase of common stock	-	55,226

NOTE H - Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1.

At December 31, 2007 and 2006, the Company's "Aggregate Indebtedness" was \$223,889 and \$263,743, respectively, and "Net Capital" was \$299,029 and \$308,729, respectively, and its ratio of aggregate indebtedness to net capital was .85 to 1 and .70 to 1, respectively. Net capital exceeded minimum capital requirements by \$199,029 and \$208,729 at December 31, 2007 and 2006, respectively.

NOTE I - Profit Sharing Plan

The Company maintains a defined contribution 401(k) profit sharing plan covering substantially all full-time employees. The Board of Directors determines the Company's discretionary contributions annually, and there is no requirement to match the employee contribution. The Company was required to make contributions during the years ended December 31, 2007 and 2006 in order for the Plan to comply with IRS rules to maintain the Plan's tax status. Company contributions to the Plan for the years ended December 31, 2007 and 2006 were \$17,557 and \$15,681, respectively.

NOTE J - Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

NOTE K - Commitments

In September 2007, the Company settled an SEC investigation. The settlement requires that the Company pay a civil penalty in the amount of \$100,000 within one year. The Company paid \$50,000 of the penalty in 2007 and the remaining amount due, which is included in accrued expenses at December 31, 2007, is scheduled to be paid during 2008, as described in the settlement agreement.

SUPPLEMENTARY INFORMATION

REGIONAL BROKERS, INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	FOR THE YEARS ENDED DECEMBER 31,	
	2007	2006
Advertising	\$ 3,650	\$ 3,250
Business use and occupancy tax	23,598	17,908
Capital stock tax	3,183	2,695
Dues and subscriptions	102,526	106,262
Insurance	11,146	12,782
Insurance - officer's life	1,743	1,743
Internet expense	45,687	43,675
Legal and accounting fees	30,572	112,872
Office expense	19,537	16,774
Office supplies	4,865	4,680
Payroll taxes	5,873	5,873
Profit sharing	17,557	15,681
Rent	74,938	77,839
Repairs and maintenance	29,668	10,303
Salaries	85,000	85,000
Travel and entertainment	67,877	65,754
 TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	 <u>\$ 527,420</u>	 <u>\$ 583,091</u>

SCHEDULE I

REGIONAL BROKERS, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF
THE SECURITIES AND EXCHANGE COMMISSION

	DECEMBER 31,	
	2007	2006
NET CAPITAL		
Total Stockholders' Equity	\$ 345,400	\$ 361,700
Deductions and/or Charges		
Nonallowable assets		
Receivables - stockholders, officers, employees and other	-	-
Prepaid expenses	28,538	31,615
Property and equipment	15,851	20,075
Long-term investments	-	-
Security deposits	126	126
Net capital before haircuts on securities positions	300,885	309,884
Haircut on securities	1,856	1,155
Net Capital	<u>\$ 299,029</u>	<u>\$ 308,729</u>
AGGREGATE INDEBTEDNESS		
Items Included in Statements of Financial Condition		
Accounts payable	\$ 96,361	\$ 41,967
Long-term debt	127,528	221,776
Total Aggregate Indebtedness	<u>\$ 223,889</u>	<u>\$ 263,743</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT		
Minimum Net Capital Required by Company	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Excess Net Capital at 1500%	<u>\$ 199,029</u>	<u>\$ 208,729</u>
Excess Net Capital at 1000%	<u>\$ 199,029</u>	<u>\$ 208,729</u>
Ratio: Aggregate Indebtedness to Net Capital	<u>.75 to 1</u>	<u>.85 to 1</u>
Net capital as reported in Company's Part II (Unaudited) Focus Report	\$ 299,035	\$ 308,731
Net audit adjustments	(6)	(2)
Net capital	<u>\$ 299,029</u>	<u>\$ 308,729</u>



& Associates Ltd

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROLS

Board of Directors
Regional Brokers, Inc.
Philadelphia, Pennsylvania

In planning and performing our audit of the financial statements of Regional Brokers, Inc. as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by Regional Brokers, Inc. including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3(e). Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1 Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used by anyone other than these specified parties.

Elko & Associates Ltd

February 25, 2008

END